

Message Text

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ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00
AID-05 CEA-01 CIAE-00 COME-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04
SIL-01 AGRE-00 OMB-01 FEA-01 ERDA-05 DODE-00
FPC-01 H-01 INT-05 L-03 NSC-05 PM-04 OES-06
SS-15 STR-04 ACDA-07 PA-01 PRS-01 /157 W
-----091222Z 012480 /11

R 091234Z APR 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC 6091
INFO ALL OECD CAPITALS
AMEMBASSY ALGIERS
AMEMBASSY JIDDA
AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA
AMEMBASSY YAOUNDE
AMEMBASSY NEW DELHI
AMEMBASSY JAKARTA
USINT BAGHDAD
AMEMBASSY TEHRAN
AMEMBASSY KINGSTON
AMEMBASSY MEXICO
AMEMBASSY LAGOS
AMEMBASSY ISLAMABAD
AMEMBASSY LIMA
AMEMBASSY CAIRO
AMEMBASSY CARACAS
AMEMBASSY BELGRADE
AMEMBASSY LUSAKA
AMEMBASSY KINSHASA
USMISSION USUN
USMISSION GENEVA
USDEL MTN GENEVA

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E.O. 11652: GDS
TAGS: ENRG CIEC
SUBJECT: CIEC ENERGY G-8: APRIL 7

REF: (A) OECD PARIS 10342; (B) STATE 068642 (NOTAL)

1. SUMMARY: APRIL 7 MEETING OF CIEC ENERGY G-8, CHAIRED BY U.S. REP ENERGY COMMISSION CO-CHAIRMAN BOSWORTH, REAFFIRMED BROAD CONSENSUS ON ENERGY COMMISSION OBJECTIVES AND TACTICS. POSITIONS TAKEN ON SUBSTANCE OF ISSUES, WHICH COVERED MOST OF QUESTIONS POSED IN REF B, ARE OUTLINED BELOW. STATEMENTS BY U.S. REP REPORTED BELOW ARE FOR POSTS' INFORMATION AND SHOULD NOT BE VIEWED AS GUIDANCE. END SUMMARY

2. ADEQUACY OF SUPPLY. THE G-8 AGREED THAT RECOGNITION BY PRODUCERS OF THEIR RESPONSIBILITY FOR ASSURING AN ADEQUATE SUPPLY OF OIL IS ONE OF ITS KEY CIEC OBJECTIVES. WITH PROSPECT FOR MORE ATTRACTIVE PACKAGE IN OTHER COMMISSIONS THAN IN NOVEMBER, THERE WAS A CONSENSUS THAT G-8 SHOULD SEEK A STRONGER FORMULATION ON THIS QUESTION THAN IT HAD LAST FALL. MOST DELEGATES CONCURRED THAT LITTLE POSSIBILITY EXISTED FOR EXPANDING CIEC'S ADEQUACY OF SUPPLY LANGUAGE BUT THE EC SAID ONE MORE EFFORT -- EVEN IF LIKELY TO FAIL -- SHOULD BE MADE TO INCORPORATE POLITICAL INTERRUPTION INTO THE CONCEPT.

3. ENERGY TRANSITION PERIOD. THE G-8 AGREED ON THE IMPORTANCE OF EXPLICIT REFERENCE TO THE TRANSITION PERIOD AND TO RESISTING G-19 EFFORTS TO DELINEATE SPECIFIC, SHORT TIME PERIOD FOR TRANSITION. SOME DEGREE OF ACCEPTANCE OF CONCEPT THAT OIL AND GAS SHOULD BE GRADUALLY RESERVED FOR USES WHERE THERE ARE NO READY SUBSTITUTES WOULD PROBABLY BE REQUIRED. THE GROUP CONCURRED THAT REFERENCE TO FUTURE UNCERTAINTY OF SUPPLY WOULD

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SUPPORT THE NEED FOR CONTINUED ENERGY DISCUSSIONS.

4. PRICE. IT WAS GENERALLY AGREED THAT THE SUBSTANCE OF THE VIEWS OF THE TWO SIDES ON THE PRICE ISSUE WAS IRRECONCILABLE. IT IS LIKELY THAT ANY COMMUNIQUE REFERENCE WOULD HAVE TO INVOLVE A TRADE-OFF IN SPECIFICITY BETWEEN THE G-8'S LANGUAGE ON MACRO-ECONOMIC IMPACT OF OIL PRICES AND G-19'S LANGUAGE ON PRESERVATION OF PURCHASING POWER. SINCE WE AND REST OF G-8 WERE NOT PREPARED TO MOVE ON INDEXATION, IT WAS GENERALLY AGREED THAT THE LIKELY COMPROMISE WOULD BE GENERAL NON-SPECIFIC LANGUAGE ON PRICE -- PERHAPS ELIMINATING SEPARATE CHAPTER ON THAT ISSUE -- IN WHICH CASE WE WOULD SEEK TO WEAVE POINTS ON MACRO-ECONOMIC IMPACT INTO CHAPTERS ON SUPPLY AND COOPERATION. EC REP SUGGESTED ANOTHER RESOLUTION OF THIS ISSUE WOULD BE FOR THE TWO SIDES MERELY TO STATE THEIR OPPOSING VIEWS. BOSWORTH RESPONDED THAT U.S. WOULD PREFER AGREED GENERAL LANGUAGE BUT WOULD BE WILLING TO LOOK AT IDEA OF SEPARATE FORMULATIONS.

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5. COOPERATION: IEI. ON INTERNATIONAL ENERGY INSTITUTE, BOSWORTH REITERATED POSITION VOICED AT GENERAL G-8 BY UNDER SECRETARY COOPER THAT PROPOSAL REMAINS ON THE TABLE AND THAT WE ARE PREPARED TO PURSUE IT ACTIVELY, PROVIDED LDC'S DISPLAY AN INTEREST IN IT. THIS VIEW WAS GENERALLY SUPPORTED. EC REP (LE CHEMINANT) INDICATED THAT WHILE COMMUNITY HAD NOT YET REACHED A DECISION ON IEI, PROSPECTS FOR BACKING IT WERE GOOD. THE GROUP CONCURRED THAT IEI SHOULD BE FOCUSED EXCLUSIVELY ON ENERGY AND THAT SHOULD NOT BE VIEWED AS VEHICLE FOR ONGOING ENERGY CONSULTATIONS.

6. R & D COOPERATION. G-8 WAS AGREED THAT CONCEPT OF R & D COOPERATION WITH LDC'S SHOULD BE PURSUED ALTHOUGH LANGUAGE SHOULD BE KEPT GENERAL AT THIS TIME. YET CONCEPT WOULD HAVE TO BE ELABORATED SUFFICIENTLY TO ENSURE THAT OFFER OF COOPERATION HAS CREDIBLE, CONCRETE BASIS. NO DISSENT WAS EXPRESSED TO BOSWORTH'S VIEW THAT IEA R & D COOPERATION WITH LDC'S SHOULD NOT BE SEEN AS AN AID MECHANISM. THE JAPANESE DELEGATE SUGGESTED THAT IT MIGHT BE COUNTER PRODUCTIVE TO SEEK SPECIFIC REFERENCE TO IEA PROGRAMS IN THE COMMUNIQUE.

7. FINANCING LDC ENERGY DEVELOPMENT. WITH REGARD TO FINANCIAL ASSISTANCE TO ENERGY DEVELOPMENT, BOSWORTH REITERATED COOPER'S STATEMENT THAT USG IS SERIOUSLY CONSIDERING--BUT HAS NOT YET FIRMLY DECIDED UPON--CONCEPT THAT IBRD SHOULD BE ASKED TO DEVOTE A PORTION OF LIKELY GENERAL CAPITAL INCREASE TO EXPANDED LENDING FOR LDC ENERGY DEVELOPMENT. THE BANK'S FINANCIAL ROLE IN ENERGY PROJECTS WOULD BE MODEST, BUT ITS INVOLVEMENT WOULD SERVE AS A CATALYST FOR PRIVATE CAPITAL, UPON WHICH LDC

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ENERGY DEVELOPMENT MUST PRIMARILY DEPEND. PUBLIC CAPITAL SHOULD NOT GO INTO ENERGY EXPLORATION BECAUSE OF HIGH RISK INVOLVED. YET ADVANCE UNDERSTANDING OF THE BANK'S PARTICIPATION IN DEVELOPMENT PHASE WOULD LIKELY STIMULATE INCREASED PRIVATE INVESTMENT INTO EXPLORATION BECAUSE COMPANIES WOULD HAVE GREATER CONFIDENCE THAT THEY WOULD ALSO BE ABLE TO PARTICIPATE IN DEVELOPMENT PHASE AND EARN A SATISFACTORY RATE OF RETURN ON THEIR INVESTMENT. BOSWORTH EMPHASIZED THAT SUCH AN ENERGY

FINANCING PROPOSAL, SHOULD IT BE APPROVED BY THE U.S. AND OTHER G-8 MEMBERS, SHOULD NOT BE NEGOTIATED IN CIEC. INSTEAD CIEC WOULD RECOMMEND THAT THE IBRD INCREASE ITS LENDING FOR ENERGY DEVELOPMENT AND THAT CONTRIBUTORS TAKE THIS NEW PRIORITY INTO ACCOUNT IN CONSIDERING IBRD CAPITAL INCREASE. CIEC WOULD REMAND ISSUE TO IBRD, OR PERHAPS MORE APPROPRIATELY TO DEVELOPMENT COMMITTEE, FOR DETAILED ELABORATION AND NEGOTIATION.

8. ALL DEIS SHOWED CONSIDERABLE INTEREST IN IDEA FOR LDC ENERGY FINANCING, AND SEVERAL ECHOED BOSWORTH'S VIEW THAT SUCH A PROPOSAL COULD SUBSTANTIALLY ENHANCE ATTRACTIVENESS OF G-8 CIEC PACKAGE.

9. CONTINUING ENERGY CONSULTATIONS. THE G-8 REAFFIRMED SUPPORT FOR CONTINUING ENERGY DIALOGUE AFTER CIEC ENDS AND AGREEMENT WITH TACTICS DISCUSSED IN G-8 HORIZONTAL GROUP ON PREVIOUS DAY.

10. PROCEDURAL ISSUES. BOSWORTH INDICATED THAT HE HOPED THREE WORKING GROUPS (ON SUPPLY, PRICE AND COOPERATION) ESTABLISHED LAST NOVEMBER COULD BE CONVERTED INTO SINGLE CONTACT GROUP COVERING ALL AREAS. AS FOR PAPERS DRAFTED IN NOVEMBER, BOSWORTH HOPED THEY COULD BE DISCARDED SO THAT CONTACT GROUP COULD BEGIN WITH FRESH DISCUSSION OF ISSUES, ESTABLISHING SMALL DRAFTING PARTIES TO DEVELOP LANGUAGE ONLY AFTER PRELIMINARY

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DISCUSSION OF EACH SUBSTANTIVE ISSUE. HE SAID HE HOPED TO CONTACT CO-CHAIRMAN TAHER EARLY NEXT WEEK TO SEEK HIS AGREEMENT ON THIS PROCEDURE. OTHER DELS CONCURRED WITH THESE PROCEDURAL SUGGESTIONS.

11. INFO ADDRESSEES WILL PLEASE NOTE THAT FOREGOING REPORT IS FOR THEIR INFORMATION ONLY AND THAT STATEMENTS OF THE U.S. REP SHOULD NOT BE REGARDED AS GUIDANCE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ENERGY, MEETING AGENDA, COMMITTEE MEETINGS, PRICES, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OECDP10495
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770124-0848
Format: TEL
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770471/aaaackds.tel
Line Count: 266
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d65dbca7-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 OECD PARIS 10342, 77 STATE 68642
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 15-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2850469
Secure: OPEN
Status: NATIVE
Subject: CIEC ENERGY G-8: APRIL 7
TAGS: ENRG, US, CIEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d65dbca7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009